



OFFICE OF THE COUNTY AUDITOR

Haskell Arnold, CPA
County Auditor

MEMORANDUM

August 20, 2007

MEMO TO: Michael A. Giovanniello, Acting Chief
Bureau of Utilities

Sharon F. Greisz, Director
Department of Finance

THRU: Haskell N. Arnold
County Auditor

FROM: Leo Oken
Assistant County Auditor

SUBJECT: FY 2007 Inventory
Bureau of Utilities

The Office of the County Auditor observed and assisted in the annual inventory counting process at the Bureau of Utilities on June 7, 2007. Representatives from our office, along with staff from the Bureau of Accounting, assisted staff from the Bureau of Utilities. We obtained the inventory list dated June 5, 2007, observed the counting process, and verified the physical counts on a test basis.

The inventory list prepared by the Bureau of Utilities before the count showed an inventory value of \$878,900. The physical count taken on June 7, 2007 resulted in a value of \$878,050. The difference between the inventory list amount and the counted amount was \$850, a variance of less than .01%. We consider this to be an immaterial amount and within acceptable limits.

The Department of Finance maintains inventory records that are adjusted monthly. The June 13, 2007 balance according to the department's records was \$881,469. An adjustment of \$3,418 was made to reflect the total inventory balance of \$878,050. The variance was 0.39 %.

A separate ADO (advance deposit order) meter inventory is kept. Advance deposit order meters are meters which have been purchased for a specific customer, and for which a deposit has been received from that customer. The meter is removed from inventory when it is installed and the account is settled. We also reviewed this inventory. The physical inventory value was \$25,272. The accounting records reflected a June 13, 2007 balance of \$37,986, requiring an adjustment to the inventory records of \$12,714. The difference appears to be the result of inaccurate inventory record keeping. The inventory records had not been adjusted for numerous ADO items that were either installed and paid for by the customer or cancelled. We consider this variance to be significant and recommend that:

1. *A physical inventory of ADO items is taken on a more frequent basis and the results of the inventory compared to the inventory records. Differences should be accounted for in a timely fashion and the perpetual inventory records should be adjusted as necessary.*

LO:dl-ui07

cc: Council Members
Ken Ulman, County Executive
Lonnie R. Robbins, Chief Administrative Officer
James Irvin, Director, Department of Public Works
Rafiu Ighile, Chief, Bureau of Accounting
Lois Miller, Administrative Services Officer
Jerry Kulis, Chief, Division of Accounting Control